

**AGENDA**  
of the  
**BOARD OF DIRECTORS**  
of the  
**SANTA BARBARA METROPOLITAN TRANSIT DISTRICT**  
A Public Agency  
550 Olive Street, Santa Barbara, CA 93101  
Tuesday, November 9, 2004  
8:30 a.m.

1. **Call to Order**
2. **Roll Call of the Board of Directors**  
Chair John Britton; Vice Chair Olivia Rodriguez; Secretary Brian Fahnestock; and  
Directors: David Davis and Lee Moldaver
3. **Report Regarding Posting of Agenda**

**Consent Calendar**

4. **Approval of Prior Minutes (action may be taken)**  
The Board will be asked to waive the reading of and approve the minutes for the meeting of October 12 and the meeting of October 26, 2004.
5. **Cash Report (action may be taken-attachment)**  
The Board will be asked to approve the cash report from October 19, through November 1, 2004.

**This concludes the consent calendar**

6. **Public Comment** Members of the public may address the Board on items within the jurisdiction of the Board that are not scheduled for public hearing. The time allotted per speaker will be at the discretion of the Board Chair. If you wish to address the Board under this item number, please complete and deliver to the MTD Board Clerk **before the meeting is convened**, a "Request to Speak" form including a description of the subject you wish to address.
7. **Finance FY03-04 Financial Statements (Draft) - (attachment)no action will be taken)**  
MTD's independent auditor will provide the Board with a brief update of the fiscal year 03-04 audit.
8. **SBCAG: 101 in Motion**  
Gregg Hart, Public Information and Government Affairs Coordinator for the Santa Barbara County Association of Governments (SBCAG), will present an update on the 8 Alternative Improvement Packages that have been developed through the "101 In Motion" process to alleviate congestion on Highway 101.
9. **FY 2004 Route Analysis (Draft)**

Board will receive a draft report providing a variety of operating characteristics and performance indicators for each route operated during FY 2004.

**10. General Manager Report**

- a) Update from CTA conference
- b) Holiday dates
- c) Halloween in Isla Vista report
- d) Other

**11. Recess to Closed Session-Calle Real**

The Board will meet in closed session pursuant to Government Code §54956.8, conference with real property negotiators regarding the MTD Calle Real Property, APN's Book 59, Page 14, Parcels 4, 5 & 6, and Book 67, Page 23, Parcel 6, concerning price and terms of payment; agency negotiators Doug Large and Bob Andrews; other negotiation parties: Housing Authority of County of Santa Barbara, Martin Farrell Homes, and Investec Capital, Inc.

**12. Recess to Closed Session-Union Negotiations**

The board will meet in closed session pursuant to Government Code §54957.6 to discuss labor negotiations with labor negotiators Sherrie Fisher and Jerry Estrada.

**13. Other Business and Committee Reports**

Board member will report on other business related to MTD.

**14. Adjournment**

**SPEAKERS:** Any person wishing to speak to an item on the Agenda should complete and deliver to the Board Clerk a "Request to Speak" form **before the meeting is convened**. The Chair may limit the time allowed to speak.

**AMERICANS WITH DISABILITIES ACT:** If you need special assistance to participate in this meeting, please contact the MTD Administrative Office at 963-3364 at least **48 hours in advance** of the meeting to allow time for MTD to attempt a reasonable accommodation.

**Santa Barbara Metropolitan Transit District**  
**Cash Report**  
**Board Meeting of November 9, 2004**  
**For the Period October 19, 2004 through November 1, 2004**

**MONEY MARKET**

**Beginning Balance October 19, 2004** **\$3,453,544.01**

SB-325 (LTF)	434,478.89	
SBCC Fares	183,894.39	
Accounts Receivable	166,426.17	
Passenger Fares	135,883.23	
Interest Income	2,517.11	
Miscellaneous	927.76	
<b>Total Deposits</b>		<b>924,127.55</b>

Bank Fee - October 04	(4,822.34)	
ACH Pensions Transfer	(22,683.26)	
Workers Comp Trf Sept 04	(52,076.82)	
ACH Tax Deposit	(85,671.68)	
Operations Transfer	(184,921.63)	
Payroll Transfer	(205,901.91)	
<b>Total Disbursements</b>		<b>(556,077.64)</b>

**Ending Balance** **\$3,821,593.92**

**Total Cash and Investments as of November 1, 2004:** **\$3,821,593.92**

**COMPOSITION OF CASH BALANCE**

Working Capital	2,619,879.70	
WC / Liability Reserves	1,201,714.22	
<b>Total Cash Balance</b>		<b>\$3,821,593.92</b>

## Santa Barbara Metropolitan Transit District Accounts Payable

Check	Date	Company	Description	Amount	Voids
79464	10/20/2004	AGENCIES TOOL CENTER CORP.	SHOP SUPPLIES	350.71	
79465	10/20/2004	AT&T	TELEPHONES	120.55	
79466	10/20/2004	BATTERY SYSTEMS OF OXNARD	BUS PARTS	290.82	
79467	10/20/2004	BOWMAN DISTRIBUTION	SHOP SUPPLIES	339.15	
79468	10/20/2004	RJ CARROLL & SONS INC.	BLDG & GROUND REPAIRS	299.83	
79469	10/20/2004	CHANNEL CITY ENGINEERING	BUS REPAIRS	65.00	
79470	10/20/2004	COAST DRIVELINE AND GEAR, INC.	BUS PARTS	804.19	
79471	10/20/2004	CHEVRON	SERVICE VEHICLE FUEL	165.66	
79472	10/20/2004	CA STATE BOARD OF	USER FUEL TAX	1,329.43	
79473	10/20/2004	DEPARTMENT OF CHILD SUPPORT	PR RELATED	599.54	
79474	10/20/2004	DEPARTMENT OF MOTOR	SERVICE VEHICLE REGISTRATION	159.00	
79475	10/20/2004	BP DAVIS MANAGEMENT	CONTRACT LABOR	4,425.00	
79476	10/20/2004	DEAILE, MARY	PR RELATED	106.15	
79477	10/20/2004	DISTRICT ATTORNEY-S.B.	PR RELATED	1,042.04	
79478	10/20/2004	DOCUPRODUCTS CORPORATION	COPIER COPIES	196.98	
79479	10/20/2004	DOWNTOWN ORGANIZATION, INC.	TC MAINTENANCE	350.00	
79480	10/20/2004	DHL EXPRESS (USA) INC.	FREIGHT CHARGES	187.71	
79481	10/20/2004	EMPLOYMENT DEVELOPMENT	PR RELATED	100.00	
79482	10/20/2004	FEDERAL EXPRESS CORP.	FREIGHT CHARGES	1,471.33	
79483	10/20/2004	FLEET CAPITAL LEASING-GVF	COPIER LEASE	377.13	
79484	10/20/2004	STATE OF CALIFORNIA	PR RELATED	40.00	
79485	10/20/2004	GIBBS INTERNATIONAL TRUCKS	BUS PARTS	3,423.51	
79486	10/20/2004	GILLIG CORPORATION	BUS PARTS	414.40	
79487	10/20/2004	GOODYEAR TIRE & RUBBER CO	LEASED TIRES	4,094.02	
79488	10/20/2004	HAHN, STEPHEN	REIMBURSEMENT	682.95	
79489	10/20/2004	HOME IMPROVEMENT CTR.	SHOP/B&G SUPPLIES	40.71	
79490	10/20/2004	INTERLAND, INC.	WEBSITE HOST	50.00	
79491	10/20/2004	UNITED STATES TREASURY	PR RELATED	225.00	
79492	10/20/2004	KSBY-TV	MEDIA AD	862.00	
79493	10/20/2004	LUMINATOR MASS TRANSIT	BUS PARTS	282.52	
79494	10/20/2004	MENNEKES	EV BUS PARTS	710.40	
79495	10/20/2004	MGB INDUSTRIAL SUPPLY	SHOP SUPPLIES	202.56	
79496	10/20/2004	MULLEN & HENZELL	LEGAL FEES ON CALLE REAL	462.00	
79497	10/20/2004	PREVOST CAR INC.- CREDIT DEPT.	BUS PARTS	231.27	
79498	10/20/2004	N/S CORPORATION	BUS WASHER PARTS	1,315.05	
79499	10/20/2004	OHIO CHILD SUPPORT PAYMENT	PR RELATED	126.85	
79500	10/20/2004	OTTIERI, ANN BRADY	PR RELATED	724.29	

Check	Date	Company	Description	Amount	Voids
79501	10/20/2004	P.C.J.L. INC.	SERVICE VEHICLE REPAIRS	33.81	
79502	10/20/2004	PETRO-DIAMOND INC.	DIESEL FUEL	26,608.45	
79503	10/20/2004	PETTY CASH- HAGGERTY J.	MISC. PURCHASES	364.20	
79504	10/20/2004	PETTY CASH HAHN, STEVE	MISC SHOP NEEDS	130.51	
79505	10/20/2004	PACIFIC MATERIALS	ONSITE INSPECTION	270.00	
79506	10/20/2004	PLATINUM PLUS FOR BUSINESS	MISC. CREDIT CARD CHARGES	1,583.24	
79507	10/20/2004	PANASONIC DIGITAL INC.	COPIER LEASE	58.19	
79508	10/20/2004	POWERSTRIDE BATTERY	BUS PART	2.80	
79509	10/20/2004	PRAXAIR DISTRIBUTION, INC.	SHOP SUPPLIES	118.80	
79510	10/20/2004	REPUBLIC ELEVATOR, INC	ELEVATOR MAINTENANCE	79.23	
79511	10/20/2004	ROGERS & SHEFFIELD ATTORNEYS	LEGAL COUNSEL	1,576.88	
79512	10/20/2004	ROCHA, SUZANNE	PR RELATED	406.08	
79513	10/20/2004	SAN BERNARDINO COUNTY	PR RELATED	395.54	
79514	10/20/2004	SANTA BARBARA BANK & TRUST	PR DEDUCTION	148.00	
79515	10/20/2004	SB COUNTY FEDERAL CREDIT	PR DEDUCTION	1,898.00	
79516	10/20/2004	S B INDUSTRIAL MEDICAL GROUP	MEDICAL EXAMS	130.00	
79517	10/20/2004	SMITTY'S TOWING SERVICE	TOWING SERVICES	390.00	
79518	10/20/2004	SMITH, RON	TOOL ALLOWANCE	800.00	
79519	10/20/2004	SANTA BARBARA TROPHY	EE RELATIONS	175.64	
79520	10/20/2004	SERVICE MASTER OF SANTA	TC JANITORIAL SUPPLIES	283.01	
79521	10/20/2004	SM TIRE, CORP.	BUS TIRE REPAIRS & MOUNTING	142.32	
79522	10/20/2004	SMART & FINAL	OFFICE SUPPLIES	58.58	
79523	10/20/2004	SO. CAL. EDISON CO.	UTILITIES	7,567.05	
79524	10/20/2004	SOFTCHOICE CORP, INC.	COMPUTER SOFTWARE	2,157.21	
79525	10/20/2004	SOUTHERN CALIFORNIA GAS	UTILITIES	205.92	
79526	10/20/2004	SB CITY OF-REFUSE/WATER	UTILITIES	1,054.60	
79527	10/20/2004	TELCOM, INC.	SERVICE CONTRACT/RADIO INSTALL	3,456.70	
79528	10/20/2004	TITAN LABS	SHOP SUPPLIES	833.30	
79529	10/20/2004	TEAMSTERS PENSION TRUST	UNION PENSION	58,013.81	
79530	10/20/2004	TRANSIT CARE TOURS	BUS PARTS	1,307.31	
79531	10/20/2004	UNITED PARCEL SERVICE	FREIGHT CHARGES	153.11	
79532	10/20/2004	VALLEY POWER SYSTEMS, INC.	BUS PARTS	2,511.45	
79533	10/20/2004	VALLEY POWER SYSTEMS, INC.	BUS PARTS	1,324.61	
79534	10/20/2004	VERIZON CALIFORNIA	TELEPHONES	2,077.11	
79535	10/20/2004	TEAMSTERS UNION LOCAL NO. 186	UNION DUES	7,115.74	
79536	10/26/2004	NATIONAL INTERSTATE INS. CO.	LIABILITY INSURANCE	34,822.68	

Check	Date	Company	Description	Amount	Voids
				<b>184,921.63</b>	
			Current Cash Report Voided Checks:	0.00	
			Prior Cash Report Voided Checks:	0.00	
			Grand Total:	<b>\$184,921.63</b>	

## Santa Barbara Metropolitan Transit District Cash Receipts of Accounts

<b>Date</b>	<b>Company</b>	<b>Description</b>	<b>Amount</b>
10/20/2004	Godzilla Graphics	Advertising on Buses	850.00
10/20/2004	SB County Schools	Passes/Token Sales	250.00
10/22/2004	City of SB - Downtown WF/Wharf	Dwntwn. Wtrfrnt. Shuttle - Oct '04	75,230.56
10/22/2004	Gold's Gym	Advertising on Buses	2,000.00
10/22/2004	Gold's Gym	Advertising on Buses	2,000.00
10/22/2004	Gold's Gym	Advertising on Buses	500.00
10/22/2004	Santa Barbara City College	Advertising on Buses	560.00
10/22/2004	Venture PR Group	Advertising on Buses	382.50
10/26/2004	City of SB - Passes/Tokens	Passes/Token Sales	5,792.50
10/26/2004	Cottage Hospital	Passes/Token Sales	3,000.00
10/27/2004	Presto Pasta	Advertising on Buses	1,000.00
10/27/2004	United Way	Advertising on Buses	2,200.00
10/28/2004	SB Public Library	Advertising on Buses	1,800.00
10/28/2004	Tobacco Prevention	Advertising on Buses	2,550.00
10/29/2004	Santa Barbara Bank & Trust	Advertising on Buses	7,012.50
10/29/2004	SBCC - Contract Fares	Contract Fares - Sept '04	61,298.11
<b>Total Accounts Receivable Paid During Period</b>			<b>\$166,426.17</b>

## **Management Discussion and Analysis for Fiscal Year 2004**

This report provides a narrative and analytical overview of the Santa Barbara Metropolitan Transit Districts (District) financial activities. The District's basic financial statements are prepared using proprietary fund (enterprise fund) accounting that uses the same basis of accounting as private-sector business enterprises. The District is operated under one enterprise fund. Under this method of accounting, an economic resources measurement focus and an accrual basis of accounting is used.

Revenue is recorded when earned and expenses are recorded when incurred. The basic financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows. These are followed by notes to the financial statements.

### **Financial Reports**

The statement of net assets presents information on the assets and liabilities, with the difference between the two reported as net assets.

The statement of revenue, expenses and changes in net assets reports the operating revenues and expenses and nonoperating revenues and expenses of the District for the year combined with any capital grants and net of depreciation expense to determine the net change in assets for the fiscal year. That change combined with the previous years-end net asset total reconciles to the net asset total at the end of this fiscal year.

The statement of cash flows reports cash and cash equivalent activities for the fiscal year resulting from operating activities, noncapital financing activities, capital and related financing activities and investing activities. The net result of these activities added to the beginning of the year cash balance reconciles to the cash and cash equivalent balance at the end of the current fiscal year.

The schedules of expenses reports the amount of costs incurred on operating activities throughout the fiscal year.

### **Financial Summary**

The District completed FY 03-04 with a decrease in deferred credits of \$907,093 plus an advance of \$307,698 from a federal capital grant resulted in a total of \$1,214,791. The District anticipated a decrease of deferred credits of \$1,485,959. The projected decrease consisted of expenditures for the acquisition of buses, computer software and bus rehabilitation that were not offset by federal grants or current year local subsidies.

The difference in deferred credits referenced above related to a delay in computer software projects. The two projects were delayed and as a result the projects will be carried forward to FY 04-05. A mid-year budget revision will take place to acknowledge the shift.

In FY 03-04 the District's Transportation Development Act (TDA) funding increased by 2.5%. These funds constitute a significant percentage of the District's operating and capital revenues.



TDA increased by (\$159,369) 2.5%, while federal Operating Assistance remained flat with prior year figures. As the table illustrates, TDA receipts are still well below FY 01-02 levels. This fact coupled with the lack of even a cost of living increase to the federal Operating Assistance subsidy has

place a great deal of pressure on MTD's operating budget. Typically, sharp decreases in transit subsidies result in adjustments to either the level of service provided or to the fare structure. The District opted to modify its fare structure to increase the cash fare while providing new discounted passes. The new fare structure was implemented in October of 2003. Actual passenger fares for FY 03-04 equaled \$6,174,973 versus \$5,547,712 in the prior fiscal year that resulted in an increase of \$627,261 in passenger fares.

<b>TDA SB325 Local Transportation Funds</b>			
	FY04	FY03	FY02
Local Transportation Fund (SB 325)	6,062,910	5,932,888	6,214,607
State Transit Assistance Fund (SB 620)	436,119	406,772	678,789
	6,499,029	6,339,660	6,893,396
Subsidy Change:	159,369	(553,736)	
% Change:	2.5%	-8.0%	

The District is notified of the estimated TDA funding levels early in the calendar year, which allows the District to include the appropriate figure in its annual budget. However, this does not always allow sufficient time for the District to adjust levels of service.

### Assets & Liabilities

The District uses proceeds from local, state and federal grants to acquire its assets. Net assets serve as a useful indicator of an agency's financial position. The District's assets exceeded liabilities by \$29,436,754 as of June 30, 2003. The table below is a summary of the District's net assets:

#### **Statement of Net Assets**

**June 30, 2004**

Assets:	2004	2003
Current Assets	\$6,756,556	\$7,532,076
Non-Current Assets	31,893,767	25,978,278
<b>Total Assets</b>	<b>\$38,650,323</b>	<b>\$33,510,354</b>
 Liabilities:		
Current Liabilities	\$3,207,510	\$2,586,494
Non-Current Liabilities	6,006,059	4,945,580
	<b>\$9,213,569</b>	<b>\$7,532,074</b>
 Net Assets Invested in Capital Assets:	<b>\$29,436,754</b>	<b>\$25,978,280</b>

As the table illustrates, net assets increased by \$3,458,474 during FY 03-04. The increase is a result of new capital investments exceeding depreciation expense. Capital assets increased by \$8,431,012 which reflects the District's investment in buildings, buses, other equipment and work in progress.

### Revenue, Expense and Performance Indicators

The District's operations are financed primarily by three significant sources of funding. Two of which, TDA and Federal Operating Assistance, have already been discussed. The third source, passenger fares, increased by 11.3% during FY 03-04 which coincides with an increase in the fare structure. Expenses exceeded the budget by 3.5% which reflects rising fuel costs (\$140,600 over budget), workers compensation costs (\$286,000 over budget) and future retiree sick pay benefits (\$127,000 over budget). The District's cost per revenue hour increased by 10.4% a reflection of the aforementioned items coupled with a labor agreement that was weighted heavily

in the last year and nearly \$400,000 in one-time expenditures related to mandated fees and labor settlement costs.

**Santa Barbara Metropolitan Transit District**  
**Revenue, Expense and Performance Report**  
**Period Ending June 30, 2004**

Category	Actual FY 03-04	Prior Year FY 02-03	% Change	Budget FY 03-04	% Change
<b>Revenues:</b>					
Passenger Fares	\$6,174,973	\$5,547,712	11.3%	\$5,923,066	4.3%
Property Tax	603,344	560,761	7.6%	596,028	1.2%
Local Operating Assistance	344,642	366,344	-5.9%	325,000	6.0%
Non-Operating Assistance	303,074	332,301	-8.8%	293,200	3.4%
Sub Total :	\$7,426,033	\$6,807,118	9.1%	\$7,137,294	4.0%
<b>Major Subsidies:</b>					
TDA <sup>(1)</sup>	\$5,434,952	\$4,734,175	14.8%	\$5,199,998	4.5%
Federal Operating Assistance	2,756,159	2,756,468	0.0%	2,756,468	0.0%
Sub Total:	\$8,191,111	\$7,490,643	9.4%	\$7,956,466	2.9%
 Total Operating Revenue	 \$15,586,142	 \$14,297,761	 9.0%	 \$15,093,760	 3.3%
<b>Expenses:</b>					
Route Operations	\$8,504,724	\$7,861,100	8.2%	\$8,117,387	4.8%
Vehicle Maintenance	3,616,924	3,189,648	13.4%	3,426,723	5.6%
Passenger Accomodations	1,274,404	1,268,340	0.5%	1,336,346	-4.6%
General Overhead	2,190,090	1,978,673	10.7%	2,213,304	-1.0%
Total Operating Expense (excluding depreciation)	\$15,586,142	\$14,297,761	9.0%	\$15,093,760	3.3%
<b>Performance Indicators:</b>					
Total Passengers	7,004,009	7,005,686	0.0%		
Revenue Hours	178,003	180,244	-1.2%		
Revenue Miles	2,351,305	2,419,260	-2.8%		
 Farebox Ratio <sup>(2)</sup>	 39.6%	 38.8%	 2.1%		
Cost/Passenger	\$2.23	\$2.04	9.0%		
Cost/Hour	\$87.56	\$79.32	10.4%		
Cost/Mile	\$6.63	\$5.91	12.2%		

(1) The amount of TDA subsidy applied to operations increased by \$700 thousand. This figure fluctuates annually based on the amount required to balance the District's revenues with its expenses. It should be noted that the District did not receive an additional \$700 thousand in subsidy but that the District was required to increase the amount allocated to operations.

(2) Farebox Ratio is a standard transit performance indicator that is calculated by dividing operating expenses, less depreciation, by passenger fares.

## **Conclusion**

Despite rising fuel prices, significant one-time expenditures and continued pressure from workers compensation related costs the District's deferred credits decreased less than expected. However, after adjusting for capital projects that were delayed to the following year it is clear that deferred credits exceeded the anticipated decrease by \$271,000. FY 03-04 also included the leasing of eleven (11) clean diesel buses over a five-year period. The District will make quarterly payments equaling \$572,000 annually and interest payments of \$259,191 during the life of the lease.

In FY 03-04 the District offset some cost pressures by instituting a temporary staff hiring freeze. A number of staff positions were not filled as individuals left the District's employment. As a whole, labor related costs account for nearly 80% of the District's total operating budget. This is a significant ratio to track as the District's collective bargaining agreement with the Teamsters expired at the end of FY 03-04.

Below is a list of other significant issues that will impact the District's finances in the future:

- Sale or lease of Calle Real property – The 18.7 acres of unimproved real property owned by the District and located on Calle Real in Santa Barbara will eventually result in an influx of funds, however, the availability and amount is still unknown.
- Electric and diesel bus acquisitions – The Santa Barbara County Association of Governments (SBCAG) recently approved the District's grant amendment for the South Coast Transit Priorities. The only immediate financial impact is the inclusion of federal funds to pay off the capital lease for aforementioned eleven (11) clean diesel buses.
- City of Santa Barbara Agreements – The District will begin discussions with the City regarding long-term shuttle acquisitions and an extension of local operating assistance for the Downtown/Waterfront, Crosstown, Wharf Woody and Commuter Lot shuttle services
- Collective Bargaining Agreement - The District's agreement with the Teamsters expired at the end of FY 03-04. Discussions with the Teamsters are in progress.
- TDA Subsidy – Population is a significant factor in determining the distribution of TDA funds within Santa Barbara County. If the population of southern Santa Barbara County continues to decrease the percentage of TDA funds available to the District will be negatively impacted.
- 5307 Federal Operating Assistance – SBCAG has informed the District, as well as other relevant transit operators in the County, that the Federal Transit Administration (FTA) is requiring them to address the method used to allocate federal operating assistance. This may have a significant impact on the District's operating revenues as these funds constitute approximately 17.6% of its operating revenues.
- Facility Consolidation – As a result of facility consolidation, the District may opt to either sell or lease its Overpass property. However, the District will incur costs relating to soil remediation located on that property in the near future.

**SANTA BARBARA  
METROPOLITAN TRANSIT DISTRICT  
FINANCIAL STATEMENTS AND  
REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2004 and 2003**

# **SANTA BARBARA METROPOLITAN TRANSIT DISTRICT**

June 30, 2004 and 2003

## **TABLE OF CONTENTS**

	<b><u>Page</u></b>
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis - Required Supplementary Information	I - IV
Financial Statements:	
Balance Sheets	3
Statements of Revenue, Expenses and Changes in Net Assets	4
Statements of Cash Flows	5
Statements of Expenses	6 - 7
Notes to Financial Statements	8 - 20

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Santa Barbara Metropolitan Transit District  
Santa Barbara, California

We have audited the accompanying financial statements as listed in the preceding table of contents of Santa Barbara Metropolitan Transit District as of and for the years ended June 30, 2004 and 2003. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as discussed in the following paragraph, we conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

We were unable to satisfy ourselves about bus parts inventory quantities and costs as of June 30, 2002, and therefore of \$695,802 of bus parts included in vehicle maintenance expense on the statement of revenue, expenses, and changes in net assets for 2003.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary regarding the bus parts included in vehicle maintenance expense recorded in the 2003 financial statements, the financial statements present fairly, in all material respects, the financial position of the Santa Barbara Metropolitan Transit District as of June 30, 2004 and 2003, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, the District has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, in 2003.

The Management's Discussion and Analysis on pages I through V are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 22, 2004, on our consideration of the Santa Barbara Metropolitan Transit District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

October 22, 2004

# SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

## BALANCE SHEETS June 30, 2004 and 2003

### ASSETS

	<u>2004</u>	<u>2003</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,846,211	\$ 2,760,648
Grants receivable	2,767,411	3,328,611
Other receivable	154,405	182,932
Materials and supplies inventories	845,244	1,098,955
Other current assets	<u>143,285</u>	<u>160,930</u>
Total Current Assets	<u>6,756,556</u>	<u>7,532,076</u>
<b>CAPITAL ASSETS, AT COST</b>		
Tangible transit operating property	51,547,776	44,924,558
Less: Accumulated depreciation	<u>(19,654,009)</u>	<u>(18,946,280)</u>
Capital Assets, net	<u>31,893,767</u>	<u>25,978,278</u>
<b>TOTAL ASSETS</b>	<u>\$ 38,650,323</u>	<u>\$ 33,510,354</u>

### LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>		
Trade payables	\$ 319,215	\$ 398,423
Accrued payroll	1,068,742	896,456
Accrued expenses	1,330,118	1,291,615
Current portion - capital lease payable	<u>489,435</u>	<u>-</u>
Total Current Liabilities	3,207,510	2,586,494
<b>LONG-TERM LIABILITIES</b>		
State and Local - deferred credits	4,038,482	4,945,580
Capital lease payable - net of current portion	<u>1,967,577</u>	<u>-</u>
Total Long-Term Liabilities	<u>6,006,059</u>	<u>4,945,580</u>
Total Liabilities	9,213,569	7,532,074
NET ASSETS - invested in capital assets, net of related debt	<u>29,436,754</u>	<u>25,978,280</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 38,650,323</u>	<u>\$ 33,510,354</u>

The accompanying notes are an integral part of these basic financial statements.



# SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

## STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS

For the Years Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
OPERATING REVENUE, NOT INCLUDING LOCAL AND FEDERAL ASSISTANCE		
Passenger fares	\$ 6,174,973	\$ 5,547,712
OPERATING EXPENSES		
Vehicle operations	8,504,724	7,861,100
Vehicle maintenance	3,616,924	3,189,648
Passenger facilities	1,274,404	1,268,340
General overhead	<u>2,190,090</u>	<u>1,978,673</u>
Total before Interest and Depreciation	15,586,142	14,297,761
Interest	31,002	-
Depreciation	<u>2,338,068</u>	<u>2,127,172</u>
Total Expenses (Schedule)	<u>17,955,212</u>	<u>16,424,933</u>
OPERATING LOSS	<u>(11,780,239)</u>	<u>(10,877,221)</u>
NON-OPERATING REVENUE (EXPENSES)		
Non-transportation revenue, including interest, advertising, rental and miscellaneous	303,074	332,301
Taxes levied by Santa Barbara County for Transit District 603,344	560,761	
Transportation Development Act funding and allocations	5,434,952	4,734,175
Federal grants and reimbursements	2,756,159	2,756,468
Miscellaneous grants	<u>344,642</u>	<u>366,344</u>
Total Non-Operating Revenue	<u>9,442,171</u>	<u>8,750,049</u>
LOSS BEFORE TRANSFERS	(2,338,068)	(2,127,172)
Add: Transfer of depreciation expense to net assets invested in capital assets	<u>2,338,068</u>	<u>2,127,172</u>
NET INCOME	-	-
Increase (decrease) in capital grants - Note 7	<u>3,458,474</u>	<u>(1,083,349)</u>
INCREASE (DECREASE) IN NET ASSETS	3,458,474	(1,083,349)
BEGINNING OF YEAR NET ASSETS	<u>25,978,280</u>	<u>27,061,629</u>
END OF YEAR NET ASSETS	<u>\$ 29,436,754</u>	<u>\$ 25,978,280</u>

The accompanying notes are an integral part of these basic financial statements.

# SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

## STATEMENTS OF CASH FLOWS For the Years Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<b>CASH FLOWS FROM OPERATIONS</b>		
Receipts from transit customers	\$ 6,280,984	\$ 5,388,496
Receipts from other operations	225,589	325,116
Interest paid	(23,433)	-
Payments to suppliers and vendors	(3,838,588)	(3,147,910)
Payments to employees	<u>(11,352,188)</u>	<u>(10,962,887)</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>(8,707,636)</u>	<u>(8,397,185)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Operating grants received	\$ 7,882,156	\$ 5,954,259
Taxes levied by Santa Barbara County	<u>603,344</u>	<u>560,761</u>
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>8,485,500</u>	<u>6,515,020</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of property and equipment	(5,856,029)	(1,795,799)
Land remediation reimbursement	-	743,275
Federal, state and local capital grants received	6,281,700	898,992
Capital lease principal payments	<u>(117,972)</u>	<u>-</u>
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>307,699</u>	<u>(153,532)</u>
<b>NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS</b>	85,563	(2,035,697)
<b>CASH AND EQUIVALENTS</b>		
Beginning of year	<u>2,760,648</u>	<u>4,796,345</u>
End of year	<u>\$ 2,846,211</u>	<u>\$ 2,760,648</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Net income	\$ -	\$ -
Charges to cost of service not requiring current expenditure of cash		
Changes in:		
Accounts receivable - excluding grants	28,527	(165,636)
Inventory	253,711	27,901
Prepaid expenses	17,646	(60,451)
Accounts payable	(79,212)	29,396
Accrued liabilities	210,789	189,353
Items reclassified above:		
State and local operating grants	(5,434,952)	(4,734,175)
Federal operating grants	(2,756,159)	(2,756,468)
Miscellaneous grants	(344,642)	(366,344)
Taxes levied by Santa Barbara County	<u>(603,344)</u>	<u>(560,761)</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>\$ (8,707,636)</u>	<u>\$ (8,397,185)</u>

The accompanying notes are an integral part of these basic financial statements.

# SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

## STATEMENTS OF EXPENSES For the Years Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
LABOR		
Operators' wages	\$ 4,134,833	\$ 3,946,430
Other salaries and wages	<u>3,133,846</u>	<u>2,844,156</u>
Total Labor	<u>7,268,679</u>	<u>6,790,586</u>
FRINGE BENEFITS		
Payroll taxes	637,651	604,988
Retirement plans	892,480	814,591
Health and welfare	945,838	918,876
Workers compensation	1,137,417	1,045,493
Sick pay	311,806	141,184
Holiday pay	271,348	262,491
Vacation pay	526,014	503,485
Other paid absences	26,820	17,693
Uniforms and tool allowances	<u>34,359</u>	<u>36,024</u>
Total Fringe Benefits	<u>4,783,733</u>	<u>4,344,825</u>
SERVICES		
Professional and technical including directors' fees	249,905	299,460
Outside services	68,319	69,180
Contract maintenance services	181,304	178,496
Promotion and printing	<u>125,450</u>	<u>124,349</u>
Total Services	<u>624,978</u>	<u>671,485</u>
MATERIALS AND SUPPLIES		
Fuel and lubricants	803,794	638,855
Tires and tubes	110,381	103,574
Bus parts	794,781	695,802
Other materials and supplies	140,025	176,515
Electric bus power	<u>68,899</u>	<u>63,290</u>
Total Material and Supplies	<u>1,917,880</u>	<u>1,678,036</u>
Subtotal - Expenses Carried Forward	<u>\$14,595,270</u>	<u>\$13,484,932</u>

The accompanying notes are an integral part of these basic financial statements.

# **SANTA BARBARA METROPOLITAN TRANSIT DISTRICT**

## **SCHEDULES OF EXPENSES (CONTINUED)**

For the Years Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Subtotal - Expenses Brought Forward	<u>\$14,595,270</u>	<u>\$13,484,932</u>
UTILITIES AND TELEPHONE	<u>199,378</u>	<u>219,035</u>
CASUALTY AND LIABILITY COSTS	<u>181,329</u>	<u>87,901</u>
PURCHASED TRANSPORTATION	<u>332,173</u>	<u>219,300</u>
MISCELLANEOUS EXPENSES		
Dues and subscriptions	25,824	25,431
Travel, meetings and training	11,626	33,075
Purchased media	17,493	42,715
Other miscellaneous expenses	<u>223,049</u>	<u>185,372</u>
Total Miscellaneous Expenses	<u>277,992</u>	<u>286,593</u>
Total Expenses Before Interest and Depreciation	15,586,142	14,297,761
INTEREST	31,002	-
DEPRECIATION	<u>2,338,068</u>	<u>2,127,172</u>
TOTAL EXPENSES	<u>\$17,955,212</u>	<u>\$16,424,933</u>

The accompanying notes are an integral part of these basic financial statements.

# **SANTA BARBARA METROPOLITAN TRANSIT DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

### **Note 1 - REPORTING ENTITY**

The Santa Barbara Metropolitan Transit District, a government entity, was formed under the terms of the Santa Barbara Metropolitan Transit District Act for 1965, Part 9, of the California Public Utilities Code amended in 1967. The District provides local public transportation services to the metropolitan Santa Barbara area which encompasses the outlying communities of Goleta, Montecito and Carpinteria.

In accordance with the requirements of Statement No. 14, *The Financial Reporting Entity*, of the Governmental Accounting Standards Board (GASB), the financial statements must present the District (the primary government) and its component units. Pursuant to this criterion, no component units were identified for inclusion in the accompanying financial statements.

### **Note 2 - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting and reflect transactions on behalf of the District, the reporting entity. The District accounts for its operations as an enterprise fund. Operating revenues and expenses result from providing transportation services. All other revenues and expenses are reported as nonoperating revenues and expenses. The accounting records of the District are subject to the uniform accounting system for transit districts as set forth by the Federal Transit Authority (FTA) and the State Controller.

The financial statements of the District are prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP). The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The District receives capital grants from certain governmental agencies to be used for various purposes connected with the planning, modernization, and expansion of transportation facilities and equipment. In fiscal 2003, the District adopted GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, which requires capital grants to be reported as revenue rather than contributed capital. The amount recorded as capital grant revenue in fiscal 2003 and 2002 were \$5,974,000 and \$1,052,526, respectively.

For purposes of the statement of cash flows, the District considers all highly-liquid investments with a maturity of three months or less when purchased to be cash equivalents.

# **SANTA BARBARA METROPOLITAN TRANSIT DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

### **Note 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)**

Capital assets are stated at cost, less accumulated depreciation computed on the straight-line method over the following lives:

Buildings	20 to 40 years
Buses and equipment	3 to 12 years
Office and shop equipment	5 to 10 years
Automotive equipment	3 to 5 years

The inventories are composed of bus parts, fuels and lubricants and are valued at cost on a weighted-average basis.

The District accrues for vested vacation pay when it is earned by employees. The amount of vested vacation pay accrued as of June 30, 2004 and 2003 was approximately \$517,395 and \$507,438, respectively.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The District adopted the provisions of the Governmental Accounting Standards Board Statement, No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments (Statement 34) in 2003. Statement 34 establishes financial reporting standards for all state and local government entities. Statement 34, as it applies to the District, primarily relates to presentation and disclosure requirements and had no impact on net assets as of June 30, 2003. The impact of changes on the report include: the presentation of balance sheet in a “net assets” format, the inclusion of Management’s Discussion and Analysis, and the presentation of cash flows on the direct rather than the indirect method.

The District adopted the provisions of the Governmental Accounting Standards Board Statements No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus, and No. 38, Certain Financial Statement Note Disclosures (Statement 38) in 2003. The implementation of Statements No. 37 and 38 had an impact on the presentation of the notes to the financial statements, but no impact on net assets.

Certain reclassifications have been made to the prior year's financial statements to conform with the 2004 presentation.

# SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### Note 3 - COMPOSITION OF CASH DEPOSITS

#### Classification of Deposits and Investments by Credit Risks

GASB Statement No. 3 requires that deposits and investments be classified into three categories of credit risk. These categories are as follows:

- Category 1 - Deposits which are insured or collateralized with securities held by the District or its agent in the District's (or Agency's) name.
- Category 2 - Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the District's (or Agency's) name.
- Category 3 - Deposits which are uncollateralized or collateralized with securities held by the pledging financial institutions or its trust department or agent but not in the District's (or Agency's) name.

At June 30, 2004, the composition of cash deposits consisted of petty cash and change funds, money market accounts as follows:

	<u>Carry Value</u>	<u>Market Value</u>	<u>Risk Category</u>		
			<u>1</u>	<u>2</u>	<u>3</u>
Cash Deposits					
Money market accounts	\$ 2,868,884	\$ 2,868,884	\$ 100,000	-	\$ 2,768,884
Petty cash and change funds	<u>18,352</u>	<u>18,352</u>			
Total Cash Deposits (Bank					
Balances) and on hand	2,887,236	2,887,236			
Outstanding checks	(62,277)	(62,277)			
Deposits in transit	<u>21,252</u>	<u>21,252</u>			
Total Cash Balance (Book					
Balances) and Cash on Hand	<u>\$ 2,846,211</u>	<u>\$ 2,846,211</u>			

Total cash deposits Category 3 are 110% collateralized with securities held by the bank, or the bank's agent, in the bank's name.

# SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### Note 3 - COMPOSITION OF CASH DEPOSITS (continued)

At June 30, 2003 the composition of cash deposits consisted of petty cash and change funds, money market accounts as follows:

	<u>Carry Value</u>	<u>Market Value</u>	Risk Category		
			<u>1</u>	<u>2</u>	<u>3</u>
Cash Deposits					
Certificate of deposit	\$ 500,330	\$ 500,330	\$ -	-	\$ 500,330
Money market accounts	2,588,154	2,588,154	100,000	-	2,488,154
Petty cash and change funds	<u>13,500</u>	<u>13,500</u>			
Total Cash Deposits (Bank Balances)	3,101,984	3,101,984			
Outstanding checks	(371,112)	(371,112)			
Deposits in transit	<u>29,776</u>	<u>29,776</u>			
Total Cash Balance (Book Balances)	<u>\$ 2,760,648</u>	<u>\$ 2,760,648</u>			

Total cash deposits Category 3 are 110% collateralized with securities held by the bank, or the bank's agent, in the bank's name.

### Note 4 - DEFERRED CREDITS - STATE AND LOCAL

Deferred credits represent excess Transportation Development Act revenue received. Pursuant to Section 6634 of the California Administrative Code - Transportation Development Act, a transit claimant is precluded from receiving monies from the Local Transportation Fund and State Transit Assistance Fund in an amount which exceed that claimant's capital and operating costs, less the required fares, local support, and the amount received during the year from a city or county to which the operator provides service beyond its boundaries.



# SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### Note 5 - CAPITAL ASSETS

Changes in transit operating property during the years ended June 30, 2004 and 2003, are as follows:

	<u>July 1, 2003</u>	<u>Additions</u>	<u>Reclassi- fications</u>	<u>Disposals</u>	<u>June 30, 2004</u>
Land*	\$ 5,696,658	\$ -	\$ (74,800)	\$ -	\$ 5,621,858
Buildings	10,613,212	863,354	948,041	(23,479)	12,401,129
Buses	24,428,867	7,372,344	(260)	(1,718,081)	30,082,870
Other equipment	2,761,862	59,761	260	(66,236)	2,755,648
Work in process*	1,287,470	207,815	(1,120,703)	-	299,782
Research and development	<u>136,489</u>	<u>2,538</u>	<u>247,462</u>	<u>-</u>	<u>386,489</u>
	<u>\$ 44,924,558</u>	<u>\$ 8,505,812</u>	<u>\$ -</u>	<u>\$ (1,807,796)</u>	<u>\$ 51,547,776</u>

  

	<u>July 1, 2002</u>	<u>Additions</u>	<u>Reclassi- fications</u>	<u>Reimburse- ments and Disposals</u>	<u>June 30, 2003</u>
Land*	\$ 6,439,933	\$ -	\$ -	\$ (743,275)	\$ 5,696,658
Buildings	9,922,524	37,905	661,732	(8,948)	10,613,212
Buses	24,209,490	220,859	-	(1,482)	24,428,867
Other equipment	2,715,065	348,702	(6,126)	(295,779)	2,761,862
Work in process*	754,743	1,188,333	(655,606)	-	1,287,470
Research and development	<u>136,489</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>136,489</u>
	<u>\$ 44,178,244</u>	<u>\$ 1,795,799</u>	<u>\$ -</u>	<u>\$ (1,049,484)</u>	<u>\$ 44,924,558</u>

\* Capital assets not being depreciated

### Note 6 - PROPERTY TAX CALENDAR

Taxes, including homeowners' property tax relief, are remitted from the County Tax Collector. Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien Date	January 1	
Levy Date	July 1 to June 30	
Due Date	November 1	(1st installment)
	February 1	(2nd installment)
Delinquent Date	December 10	(1st installment)
	April 10	(2nd installment)

Under California Law, property taxes are assessed and collected by the counties up to 1% of assessed value, plus other increases approved by the voters. The property taxes go into a pool, and are then allocated to the District based on complex formulas prescribed by the state statutes.

# SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### Note 7 - NET ASSETS ACCOUNT

An analysis of the net assets account is as follows:

	<u>2004</u>	<u>2003</u>
Local Transportation Fund (SB 325)	\$ 1,842,754	\$ 486,490
State Transit Assistance Fund (SB 620)	436,113	406,772
Federal grants		
FTA Section 5307 - capital grant	3,695,133	-
Miscellaneous grants	<u>-</u>	<u>159,264</u>
Net grants received	5,974,000	1,052,526
Less: Accumulated depreciation expense - current	(2,338,068)	(2,127,172)
Less: Grant equity on disposal of assets	(1,807,795)	(306,209)
Add: Accumulated depreciation on disposal of assets	<u>1,630,337</u>	<u>297,506</u>
Net change in capital grants	3,458,474	(1,083,349)
Balance, July 1	<u>25,978,280</u>	<u>27,061,629</u>
Balance, June 30	<u>\$ 29,436,754</u>	<u>\$ 25,978,280</u>

An analysis of the capital funding is as follows:

State and local grants		
Local Transportation Fund (SB 325)	\$ 15,132,217	\$ 14,566,263
State Transit Assistance Fund (SB 620)	7,692,371	7,302,324
Federal grants		
FTA Section 5307	15,178,807	11,765,899
FTA Section 5309	7,968,572	8,042,738
FTA Section 5312	63,588	150,000
District capital	129,329	129,329
Miscellaneous grants	1,929,248	1,971,376
CalStart grant	<u>996,631</u>	<u>996,631</u>
Total Capital Funding	49,090,763	44,924,560
Less: Accumulated depreciation expense	<u>(19,654,009)</u>	<u>(18,946,280)</u>
Net Assets	<u>\$ 29,436,754</u>	<u>\$ 25,978,280</u>

# SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### Note 8 - TRANSPORTATION DEVELOPMENT ACT FUNDING AND ALLOCATIONS

Transportation development act funding and allocations for the year ended June 30:

	<u>2004</u>	<u>2003</u>
Funding		
Local Transportation Fund (SB 325)	\$ 6,062,910	\$ 5,932,888
State Transit Assistance Fund (SB 620)	<u>436,119</u>	<u>406,772</u>
	<u>6,499,029</u>	<u>6,339,660</u>
Usage		
Operations	5,434,952	4,734,175
Capital projects	<u>2,278,868</u>	<u>893,260</u>
	<u>7,713,820</u>	<u>5,627,435</u>
Net Affect on Deferred Credits	<u>\$ (1,214,791)</u>	<u>\$ 712,225</u>

### Note 9 - FEDERAL GRANTS AND REIMBURSEMENTS

Federal grants and reimbursements for the year ended June 30:

	<u>2004</u>	<u>2003</u>
FTA		
Operating grants	\$ 2,756,159	\$ 2,756,468
Capital grants	3,695,133	-
Capital funding taken in excess of grant (included in deferred credits)	<u>307,698</u>	<u>-</u>
Total	<u>\$ 6,758,990</u>	<u>\$ 2,756,468</u>

### Note 10 - RECEIVABLES

Grants receivable at June 30, 2004 and 2003, are summarized as follows:

	<u>2004</u>	<u>2003</u>
Federal Transit Administration - Section 5307	\$ 2,756,159	\$ 2,756,468
Local Transportation Fund (SB 325)	11,252	-
State Transit Assistance (SB 620)	<u>-</u>	<u>572,143</u>
	<u>\$ 2,767,411</u>	<u>\$ 3,328,611</u>
Other receivables are as follows:		
Trade receivables	<u>\$ 154,405</u>	<u>\$ 182,932</u>

# SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### Note 11 - SICK PAY

In accordance with Financial Accounting Standards Board (FASB) Statement No. 43, accrued sick pay is summarized as follows:

	<u>2004</u>	<u>2003</u>
Total accrued sick pay	\$ 1,108,789	\$ 1,114,137
Amount of sick pay vested, in accordance with the union agreement, and recorded on the financial statements	<u>336,964</u> <u>\$ 771,825</u>	<u>210,877</u> <u>\$ 903,260</u>

### Note 12 - RETIREES' HEALTH CARE BENEFITS

The Bargaining Unit Contract determines benefits for District retirees who were members of the union. The District provides health care benefits for union retirees if they are at least 62 years old and have at least 25 years of continuous service. For those employees who retired prior to January 1, 1988 the maximum District contribution is \$160 per month. For those who retired after January 1, 1988, the current maximum contribution is \$135 per month, with provisions for increase on July 31, 2004.

Full-time salaried staff (non-union) employees are entitled to a medical plan premium paid by the District for themselves and their spouses until retiree's death if they are at least 60 years of age and were employed by the District for 25 full-time years.

Benefits for both union and non-union retirees are provided by the same supplemental group plan, Secure Horizons (SH).

Monthly premiums paid by the District for the fiscal year ended June 30, 2004 are as follows:

Medicare one-party (SH)	\$225
Medicare two-party (SH)	450
Active one-party (non-Medicare)	308
Dental - couple	81
Dental - single	36

There were 12 retiree participants in 2004 and ten in 2003, and the total cost of benefits paid by the District amounted to \$30,254 in 2004 and \$24,416 in 2003.

# SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### Note 13 - RETIREMENT PLANS

Two employee groups are covered:

<u>Employee Group</u>	<u>Plan names</u>	<u>2004 Cost</u>	<u>2003 Cost</u>
1. Union	Teamsters	\$ 712,143	\$ 652,770
2. Non-Union	Profit-Sharing and Salary Deferral Plan and Trust, and Money Purchase Pension Plan and Trust	<u>180,337</u>	<u>161,821</u>
		<u>\$ 892,480</u>	<u>\$ 814,591</u>

Since the District is not involved with the operations or administration of the Teamsters Pension Plan, information relating to any funding liability is not available.

### Note 14 - PROFIT-SHARING AND SALARY DEFERRAL PLAN AND TRUST, AND MONEY PURCHASE PENSION PLAN AND TRUST

Effective July 1, 1985, the District established the above-named retirement plans for employees not covered by the union plan. The plans are administered by the District, which contracts the administration to JRN Benefits.

The District contributes to the Profit-Sharing and Salary Deferral Plan an amount equal to 3% of the compensation of the eligible participants. Vesting is immediate for both contributions. The District contributes to the Money Purchase Pension Plan an amount equal to a maximum of 7% of the compensation of the eligible participants. Vesting is over a four-year period, with 25% vesting in the first year, 50% in the second year, 75% in the third year, and 100% in the fourth year. The District is not obligated in any year to make contributions to the Plans; however, contributions by the District must be regular and continuing if the plan is to continue to receive favorable tax benefits under the Internal Revenue Code Section 401(k).

The District's total payroll in fiscal year 2004 was \$7,268,679 and the District's contributions were based upon a payroll of \$1,803,371. The District made contributions amounting to \$180,337 (10% of covered payroll) and the covered employees made contributions amounting to \$183,255 (10.2% of covered payroll).

The District's total payroll in fiscal year 2003 was \$6,790,586 and the District's contributions were based upon a payroll of \$1,618,198. The District made contributions amounting to \$161,821 (10% of covered payroll) and the covered employees made contributions amounting to \$182,938 (11.3% of covered payroll).

# SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### Note 15 - RISK MANAGEMENT

The District is exposed to various risks of losses related to injuries to employees and the public, damage to and destruction of assets, and errors and omissions.

From April 1, 1995 to March 31, 2001 and from April 1, 2002 to March 31, 2003, the District had a Self-Insured Retention policy with liability coverage in excess of \$250,000 with a \$10 million limit on any one claim. From April 1, 2001 to April 1, 2002, the District had a Self-Insured Retention policy with liability coverage in excess of \$100,000 with a \$10 million limit on any one claim. From April 1, 2003 to April 1, 2004, the District has a Self-Insured Retention policy with liability coverage in excess of \$250,000 with a \$10 million limit on any one claim..

The District has elected to self-insure its obligations for workers' compensation claims. The District had purchased insurance from outside carriers for individual claims in excess of \$500,000 for 2003, with a \$5 million limit on any one claim. As of ??? the District increased the amount of that is self insured to \$1.5 million, with a \$10 million limit on any one claim.

There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the four prior years.

Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. The District's insurance adjusters and attorneys help to determine the amount of actual or potential claims against the District. An analysis of claims activities for general liability and workers' compensation liability is presented below:

	<u>2004</u>	<u>2003</u>
Claims liability - beginning of year	\$ 1,202,926	\$ 1,155,371
Claims and changes in estimates	(53,351)	631,778
Actual claim payments	<u>-</u>	<u>(584,223)</u>
Claims liability - end of year	<u>\$ 1,256,277</u>	<u>\$ 1,202,926</u>

# **SANTA BARBARA METROPOLITAN TRANSIT DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

### **Note 16 - COMMITMENTS**

#### Paratransit Service

The District is required under Federal law, the Americans with Disabilities Act of 1990 (ADA), to ensure that complementary paratransit service is available wherever and whenever MTD provides fixed-route bus service. The District complies with this requirement by partially subsidizing the paratransit service provided by Easy Lift Transportation. The District signed a written contract with Easy Lift in March 2003 for these services. Either party can terminate this agreement within 120 days of year end.

Easy Lift's operating budget totals approximately \$1.5 million annually. For fiscal year 2005, the District has agreed to provide Easy Lift a subsidy of \$347,503 for the paratransit services. The amount is to be adjusted by mutual consent if the District requests an adjustment in the amount of paratransit service to be provided, and the contract can be extended for each year up to and including June 30, 2007. If for any reason, Easy Lift were to fail to provide the required ADA paratransit service, the District would continue to be responsible for the service under Federal law. The District would be required to implement a replacement service on very short notice, at a cost that would likely exceed the current subsidy.

#### Bus Tire Lease

The District has a contract with The Goodyear Tire & Rubber Company to furnish the District with a sufficient quantity of tires to keep all vehicles fully equipped and to provide a reserve supply, at a maximum level determined by Goodyear, as spare stock inventory to be mounted on rims and kept in the District's garage for use in case of emergency. The District provides The Goodyear Tire & Rubber Company with mileage for each vehicle in its fleet on a monthly basis and is billed in accordance with its agreement. Both parties have the option to terminate this agreement each year with 30-days notice. The rate per tire increases by an agreed upon percentage once a year. For fiscal year 2004, the rate paid by MTD is as follows:

(Rate per vehicle multiplied by miles traveled)

Group A = \$.030816

Groups B and C = \$.040188

# **SANTA BARBARA METROPOLITAN TRANSIT DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

### **Note 17 - CONTINGENCIES**

#### **Calle Real Property**

The District is in negotiations with Santa Barbara Housing Authority and its partners for a joint venture transit-oriented housing development on approximately nineteen acres of land owned by the District on Calle Real Road in Santa Barbara, California.

#### **Federal Grant Contracts**

The terms of the federal grant contracts require the District to, in part, utilize the equipment and facilities for the purposes specified in the grant agreement, maintain these items in operation for a specified time period, which normally approximates the useful life of the equipment, and to comply with the Equal Employment Opportunity and Affirmative Action programs required by the Transportation Equity Act for the 21st Century. Failure to comply with these terms may jeopardize future funding and require the Authority to refund a portion of these grants to the Federal Department of Transportation. In management's opinion, no events have occurred that would result in the termination of these grants or require the refund of a significant amount of funds received under these grants.

#### **Overpass Road**

Fuel storage tank leakage will require environmental cleanup estimated at \$100,000. The facility is now used primarily for storage by the District.

#### **Acquisition of Buses**

In fiscal year 2004, the District acquired five over-the-road coaches from Motor Coach Industries (MCI). The District utilized piggyback options available from Central New York Transit Authority to acquire the vehicles prior to December 31, 2003. The District had to enter into the agreement prior to that date to ensure that it met California Air Resources Board (CARB) deadline for the certified engines included in those buses. As a result, the manufacturer was able to deliver the buses within six months but the District did not officially accept the buses until July of 2004. This coincided with the typical time needed to evaluate the buses for acceptance. Additionally, the District's contract with MCI stated that the District could wait until July 30, 2004 to make the payment of \$ 2,157,956. MCI was paid in full in July, 2004.



# SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### Note 18 - CAPITAL LEASE

The District signed a capital lease agreement in February 2004 for eleven buses with a cost of \$2,574,983. The lease requires a quarterly payment of \$142,958 beginning May 27, 2004, has an imputed interest rate of 3.69%, and matures on May 27, 2009. Accumulated depreciation and current depreciation are both \$107,291 as of June 30, 2004.

Future commitments under these non-cancelable capital leases are as follows:

For the year ending June 30:

2005	\$ 571,832
2006	571,832
2007	571,832
2008	571,832
2009	<u>428,875</u>
Total Payments	2,716,203
Interest	259,191
Net Payments	<u>\$ 2,457,012</u>

### Note 19 SUPPLEMENTAL CASH FLOW INFORMATION

Non Cash Transactions - As stated in Note 18, the District acquired eleven buses during 2004 by financing them with a \$2,574,983 capital lease.

**SANTA BARBARA  
METROPOLITAN TRANSIT DISTRICT**

**COMPLIANCE REPORTS**

**June 30, 2004**

# SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

June 30, 2004

## TABLE OF CONTENTS

	<u>Page</u>
Compliance and Internal Control Reports:	
Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1 - 2
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 and Schedule of Expenditures of Federal Awards	3 - 4
Schedule of Expenditures of Federal Awards and Notes to the Schedule of Expenditures of Federal Awards	5
Schedule of Findings and Questioned Costs	6 - 7
Summary Schedule of Prior Audit Findings	8

Independent Auditor's Report on Compliance and on Internal  
Control over Financial Reporting Based on an Audit of  
Financial Statements Performed in Accordance with  
*Government Auditing Standards*

Board of Directors  
Santa Barbara Metropolitan Transit District  
Santa Barbara, California

We have audited the financial statements of Santa Barbara Metropolitan Transit District as of and for the year ended June 30, 2004, and have issued our report thereon dated October 22, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Santa Barbara Metropolitan Transit District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Santa Barbara Metropolitan Transit District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Internal Control Over Financial Reporting - continued

This report is intended solely for the information and use of the board of directors, management, and federal awarding and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

October 22, 2004

Independent Auditor's Report on Compliance  
with Requirements Applicable to Each Major  
Program and Internal Control Over Compliance  
in Accordance with OMB Circular A-133 and  
Schedule of Expenditures of Federal Awards

Board of Directors  
Santa Barbara Metropolitan Transit District  
Santa Barbara, California

Compliance

We have audited the compliance of Santa Barbara Metropolitan Transit District with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. Santa Barbara Metropolitan Transit District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Santa Barbara Metropolitan Transit District's management. Our responsibility is to express an opinion on Santa Barbara Metropolitan Transit District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Santa Barbara Metropolitan Transit District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Santa Barbara Metropolitan Transit District's compliance with those requirements.

In our opinion, Santa Barbara Metropolitan Transit District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2004-1 and 2004-2.



## Internal Control Over Compliance

The management of Santa Barbara Metropolitan Transit District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Santa Barbara Metropolitan Transit District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

## Schedule of Expenditures of Federal Awards

We have audited the financial statements of Santa Barbara Metropolitan Transit District as of and for the year ended June 30, 2004, and have issued our report thereon dated October 22, 2004. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Santa Barbara Metropolitan Transit District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements of Santa Barbara Metropolitan Transit District.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the board of directors, management, and federal awarding and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

October 22, 2004



**SANTA BARBARA METROPOLITAN TRANSIT DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended June 30, 2004

FEDERAL GRANTOR/PROGRAM TITLE U.S. DEPARTMENT OF TRANSPORTATION – Federal Transit Administration	FEDERAL CFDA NUMBER	FEDERAL GRANT NUMBER	FEDERAL EXPENDITURES
Capital Grant	20.507	CA-90-Y192-00	\$ 3,907,698
Pass through Capital Grant to subrecipient	20.507	CA-90-Y192-00	2,642,799
	20.507	CA-90-Y192-00	53,934
Operating Grant	20.507	CA-90-Y302-01	2,756,159
Capital Grant	20.507	CA-90-X349	<u>95,133</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 9,455,723</u>

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended June 30, 2004

**Note 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Santa Barbara Metropolitan Transit District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2004

**Section I—Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: **unqualified**

Internal control over financial reporting:

Material weakness identified? **none reported**

Reportable condition identified that are not considered to be material weaknesses? **none reported**

Noncompliance material to financial statements noted? **none reported**

Federal Awards

Internal control over major programs:

Material weakness identified? **none reported**

Reportable condition identified that are not considered to be material weaknesses? **none reported**

Type of auditor's report issued on compliance for major programs: **unqualified**

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? **yes**

Identification of major programs:

CFDA Number

20.507

Name of Federal Program or Cluster

U.S. DEPARTMENT OF TRANSPORTATION - Federal Transit Administration

Dollar threshold used to distinguish between type A and type B programs: **\$500,000**

Auditee qualified as low-risk auditee? **no**

**Section II—Financial Statement Findings**

None

For the Year Ended June 30, 2004

### **Section III—Federal Award Findings and Questioned Costs**

2004-1 20.507 U.S. DEPARTMENT OF TRANSPORTATION - Federal Transit Administration  
Grants No. CA-90-X349, CA-90-Y129, CA-90-Y302-01

Criteria or specific requirement

Procurement and Suspension and Debarment

Condition

The District's procurement policies do not include determining if vendors are suspended or debarred. We did verify that vendors that we did test were in fact not suspended nor debarred, including significant bus procurements which had evidence that the manufacture was not suspended nor debarred.

Recommendation

The District should modify its procedures to include determining that vendors are not suspended or debarred, such as reviewing the Excluded Parties Review System website.

Management's response

2004-2 20.507 U.S. DEPARTMENT OF TRANSPORTATION - Federal Transit Administration  
Grant No CA-90-Y129

Criteria or specific requirement

Reporting

Condition

The District requested and received \$307,698 in excess of the \$3,600,000 grant limit for the acquisition of 40' diesel buses. The excess amount was subsequently deducted from a later request in July 2004 for an additional grant for regional coaches.

Recommendation

The District should modify its procedures to include reviewing grant limits prior to submitting requests for funding, such as a concurring review of the request by another person utilizing a review checklist.

Management's response

### **Section III—Federal Award Findings and Questioned Costs**

NO FINDINGS FOR THE YEAR ENDED JUNE 30, 2003

To: Chair Britton  
Members of the Board of Directors  
From: Sherrie Fisher, General Manager  
Date: 11/05/04  
Subject: Administrative Update

The **Maximus maintenance department software** project went live this week with cheers from all of us. Congratulations, in particular, to Brad Davis, Tom Sheldon, Mike Cardona and Steve Hahn (encouraged and assisted by Jerry Estrada) on setting up an exciting new system. Juan Perez and Martha Ormonde are also working hard on changing over to the new system. Alan Witcher, Maintenance Trainer and the mechanics are all encouraged at the many ways in which this system will assist them. Maintenance staff will make a presentation for the Board at a future meeting.

The **Trapeze software project** related to planning and operations begins in earnest this month.

Draft **financial statements** will be presented at the next Board meeting with certification to follow within a week or so.

Finance and Compliance are working cooperatively to complete an updated **Short Range Transit Plan**. This is a Federal compliance requirement that will be completed by the end of the calendar year.

Finance staff is researching future cash flow options with a recommendation expected by end of the month. The final fiscal year 03-04 federal operating assistance of approximately \$550,000 is expected next week. Please note that this final receipt is finally allowed to take place over 16 months after the start of MTD's fiscal year.

First quarter financial statements and analysis will be presented to the Board at the November 23<sup>rd</sup> meeting.

As noted in this week's News-Press story, the union is not satisfied with MTD's offer, in spite efforts by the negotiating team. Unfortunately for the employees, resolution is yet again delayed.

The staff of the finance department is working on a routine IRS audit of the pension plan with the assistance of JRN Benefits.

Steve Maas, Manager of Strategic Planning and Compliance will review the **Route Analysis (draft version)** from this past fiscal year. The ridership shows no appreciable change, an excellent result given the fare increase in October,

2003. Mr. Maas will be completing narrative for this report prior to the final version.

MTD staff prepares two reports annually to facilitate the **evaluation** of the **performance of each route** operated by the agency. The present report, the Route Analysis (Draft), provides a variety of operating characteristics and performance indicators for each route operated by the MTD during the fiscal year. The Route Analysis also includes data for the previous year for comparison. The Service Evaluation examines selected performance indicators for each route in greater detail. These two reports, along with information received throughout the year from residents, local agencies and employees, form the basis for the development of recommendations from the staff to the MTD Board for route and schedule changes to improve service and increase productivity.

Marketing is working with local employers regarding the **Valley Express** service beginning with a Cottage Hospital benefits fair.

Knight Broadcasting has expressed interest in **advertising** on the tail of the 5 Valley Express buses.

Staff is continuing to seek additional input regarding schedules for the Valley Express service. The second public hearing related to the fare structure has been forwarded to your November 23<sup>rd</sup> meeting to allow adequate time for a public notice in the newspaper.